

No. 15495

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SLEEPER LOUNGE COMPANY, a co-partnership consisting
of CHARLES KUNZELMAN and JAMES A. ANDERSON,
CHARLES KUNZELMAN and JAMES A. ANDERSON,

Appellants,

vs.

BELL MANUFACTURING COMPANY, a corporation,

Appellee.

APPELLANTS' REPLY BRIEF.

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Appellants submit this reply brief to clarify the issues raised in appellee's brief.

Appellee asserts in its brief that its claim is based upon three separate grounds,

First, infringement under 15 U. S. C. 1114(1);

Second, infringement under 15 U. S. C. 1115(b), and

Third, claim of unfair competition.

It is appellants' understanding that the Trademark Act of 1946 does not provide two tests of trademark infringement. The provisions of 15 U. S. C. 1115 define the nature of the ownership of the trademark and has nothing to do with the question of whether or not the regis-

tered mark has been infringed. Section 1114 of the Act defines what constitutes infringement. Appellee's discussion of infringement under Section 1114(1) of 15 U. S. C. ignores the test set forth in that section. It is argued that if a trader in any manner whatsoever uses a colorable imitation of a trademark he can be deemed to have infringed such trademark. This is unsound and not supported by the Act. The Act defines in Section 1114(1) that "such use must be of a nature to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods. . . ." The key words here are "source of origin". In order to result in confusion as to source of origin it is fundamental that both the trademark owner and the alleged infringer must have used their respective marks as a designation of source of origin, that is, as a trademark, and use in any manner other than to designate the source of origin is not trademark infringement, although under some circumstances it must constitute some other form of actionable conduct.

The argument of appellee ignores the very test of granting relief for infringement and points out the nature of the trial court's decision in this case.

The trial court incorrectly failed to determine precisely what were the trademarks of the parties involved. In other words, the trial court did not analyze precisely what was used by the parties as a designation of source of origin. As more fully discussed in appellants' opening brief, it is believed that the trademarks of the parties as established by the record are in one instance "BELL WONDER CHAIR" and in the other instance "SLEEPER LOUNGE" or viewing the situation from the most favorable to appellee, "SLEEPER LOUNGE THE WONDER BED."

With respect to the first and second grounds for relief appellee on page 7 of its brief, asserts that the trademarks utilized by the parties are identical. This is wrong. It is well established that descriptive or disclaimed material forming part of a registered trademark cannot be ignored. It is still a part of the composite trademark, *Ex parte Doltroff & Cie*, 1948, U. S. P. Q. 373; *Van Camp Sea Food Co. v. Westgate Sea Products*, 28 F. 2d 957. The only possible similarity between the marks of the two parties lies in the use of the word "Wonder", all other parts of the composite marks are entirely different and distinctive.

Appellee makes the argument that the goods are distributed in the same manner. This argument again ignores the nature of an action for trademark infringement. The goods are not distributed in the same manner, they never appear side by side in any place of business, the fact is that appellants' product is a custom-made piece of furniture. It is quite expensive [Ex. F], it is sold only through appellants' place of business with one exception [R. 65, 66] and upon special order. How appellee can contend that the goods move through the same channels of trade under these circumstances is difficult to comprehend. To refute appellants' contention that the trademark "WONDER CHAIR" is descriptive and invalid appellee places reliance on the case of *Laskowitz v. Marie Designer, Inc.*, 119 Fed. Supp. 541 (D. C. S. D. Cal., 1954), stating that the word "Contour" was held to be a valid trademark and is more descriptive than "Wonder". It is to be noted that in this case Judge Yankwich found that there was in fact a secondary meaning established for the term "Contour", under which circumstances it was completely unnecessary to determine whether or not in

the absence of such proof of secondary meaning "Contour" was a valid trademark. The Court stated, 119 Fed. Supp. 541, page 550 as follows:

" . . . warrants the conclusion that, due to the extensive publicity through national media which the plaintiffs and the defendants while they acted as the sole distributing agency, have carried on,—in the mind of the buying public, the designation 'Contour' has become identified with the plaintiff's chair and the trade-mark and trade-name under which it is marketed."

Thus appellants contend that the word "Wonder" is descriptive and is incapable of trademark significance in the absence of proof of secondary meaning and consequently appellee is not entitled to any relief whatsoever under the Trademark Act of 1946, 15 U. S. C. Section 1114(1), for the reasons more fully discussed in the opening brief of appellants.

Appellee in its argument, pages 7 and 8 of its brief, contends that appellants' products fall within the goods specified in appellee's trademark certificate so that whatever rights might be acquired under 15 U. S. C. 1115(b) are applicable. As set forth on page 17 of appellants' opening brief, the incontestability of a trademark is limited to the goods specified in the certificate. The goods specified in the certificate in this case are reclining chairs and convertible chair beds, neither of which appellee makes. The argument of appellee that it has established the exclusive right to a particular mark with respect to a particular category of goods wholly ignores the fact that the Patent Office both before and after issuing appellee's trademark registration, has registered other trademarks utilizing the word "Wonder" in the same class and

on goods more closely related to appellee's than those of appellants [see Ex. D].

The third ground for relief under appellee's theory is that the use of the word "Wonder" by appellants constituted unfair competition. This argument is predicated on two suppositions not supported in the record and which appellee in its brief makes no effort to support in the record. The first of these is that the trademark "WONDER BED" establishes in the public mind that the "Wonder" type of lounge product is manufactured by appellants. This is false. There is no testimony whatsoever to support such an inference, indeed, the only evidence shows to the contrary [Exs. C and D].

The second supposition upon which this argument is based is that appellants have deliberately copied the dress of competitor's goods. Apparently this is what appellee wishes to prove in citing *National Lead Company v. Wolfe, et al.*, 223 F. 2d 195 (U. S. C. A. 9th Cir.), decided May 17, 1955, on page 9 of its brief. There is no evidence in the record which in any way establishes that appellants copied appellee's trademark or the dress of its goods. Indeed, the evidence in the record clearly establishes the contrary, as set forth in appellants' opening brief. In any event, in order to maintain an action for unfair competition the elements of a tendency to palm off, necessary to such an action and likelihood of confusion as to source of origin are entirely missing.

In conclusion, with respect to the question of validity and infringement of appellee's trademark, the position of appellants is

(1) the trademark "WONDER CHAIR" is incapable of trademark significance, it is merely the name of the product sold;

(2) the trademark if valid has not been infringed. The trial court erred in this case and failed to precisely define just exactly what were the trademarks of the parties involved. Appellee makes no effort in its brief to clarify this situation.

The Court below and appellee both fail to recognize the trademarks involved in this litigation as composite marks which have little, if anything, in common. Appellee predicates its case on the proposition that all of the differences between the trademarks of both parties can be ignored but the only thing of importance is that "Wonder" forms a portion of its mark and the word "Wonder" has been used by appellants. This is not the law of this Circuit or any other Circuit. It is necessary that the whole composite marks be placed side by side to study both the differences as well as the similarities and it is believed that had the trial court properly applied this test it would have come to the inescapable conclusion that the marks when viewed as a whole are so different that any possibility of confusion as to source of origin of the goods is entirely lacking.

With respect to the question of damages, appellee on pages 12 and 13 of its brief, apparently takes the position that under Section 35 of the Lanham Trademark Act (15 U. S. C. 1117) the trial court is granted complete discretion as to whether or not it will grant damages and as to what that amount should be. This is not appellants' understanding or interpretation of this Act. If such a far-reaching discretion were to be granted the trial court, there is nothing to prevent the trial court from entering as an amount of damages any figure it desires. It is believed as set forth in appellants' opening

brief, that the fact of damage at least must be established before any effort can be made to ascertain the amount. Apparently in appellee's opinion it is not even necessary to prove that damage as a fact has occurred. The present record is devoid of establishing that damage as a fact occurred, or even an effort to so prove. The findings of fact and conclusions of law are completely silent in this respect. Appellant's agree that it is extremely difficult in cases of this nature to determine the amount of damage involved and that broad latitude should be given to the trial courts in finding the amount of damages. However, this does not mean that the trial courts can simply pull a number out of the air and assign it as damages without even a hearing on the question and without even an opportunity granted to appellants to review the method of computation or refute the existence of any damage. Apparently, according to pages 13 and 14 of appellee's brief, it is conceded that in trademark cases attorneys' fees *per se* cannot be granted. There is no effort to justify this capricious act on the part of the trial court. The only justification that appellee offers for this assessment is that the figure is pretty low. Thus it is conceded by both parties that this assessment is erroneous.

Conclusion.

For the reasons heretofore set forth in appellants' main brief, it is submitted that the trial court was clearly in error in this litigation. The trademark "WONDER CHAIR" or "BELL WONDER CHAIR" as same is actually used, should be held to be invalid as merely describing the product sold. In any event, even if the trademark were to be held valid, it is obviously a weak trademark entitled

only to narrow protection. In this case the goods are different, they move through entirely different channels of trade and never appear in the same stores or anywhere together in the channels of trade. Protection of the mark should not be extended to this extent.

It is believed the mark of appellee, assuming it is valid and assuming it is entitled to some degree of protection, has not been infringed by appellants, both because of the differences between the composite marks of the parties "BELL WONDER CHAIR" and "SLEEPER LOUNGE" or "SLEEPER LOUNGE THE WONDER BED", and because of the differences of the products involved. It is believed that the incontestability provisions in the Lanham Act have no application whatsoever in this litigation, first, because the mark of appellee does not qualify under 15 U. S. C. 1065(4); second, because the use of appellants is expressly outside of the effect of the incontestability provisions as provided in 15 U. S. C. 1115(b), and third, because the goods sold by appellants are not those specified in the certificate under provisions of 15 U. S. C. 1115(b).

Since the award of damages for One Thousand (1,000) dollars has been conceded in appellee's brief to be arbitrary without any relationship to any of the evidence in this case and since appellee concedes that attorneys' fees in trademark cases are not allowable, it is believed that both of these awards must be reversed.

The trial court therefore must be reversed in all respects in this litigation.

SLEEPER LOUNGE COMPANY, *et al.*,
Appellants.

LYON & LYON,
By R. DOUGLAS LYON,
Their Attorneys.